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## Preferences for Halalan Toyyiban Retail Supply Chain Certification: A Case of Hypermarket

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### Abstract

One of the aspects that the grocery retailer needs to take into considerations while be able to serve its customers efficiently is by looking at the effectiveness of their store operations that deal with the issue of halal retail supply chain fulfilment. Issues such as whether the store offer halal products according to syariah; offer products that are imported from various different countries and obtained halal status as well as transit handling and authenticity of halal status of the products offered in the store are well documented; are all vulnerable and crucial for grocery retailer in order to keep their customers confidence at all time. As such, grocery retailer should consider a depth look at their retail supply chain activities. Grocery store operation that wants to be successful needs to have a leading operating model which complements with the need and wants of its customers. The study therefore concentrates in the utilization of MS2400 standards of retail halal retail supply chain certification in the overall retail grocery store operations. It was observed that, the halal retail supply chain concept is no longer confined to food only, but also covers the process of handling, packaging, storage, transporting and delivery. Helping grocery retailers specifically, hypermarket management to meet with their consumer's requirements and expectations will expand their marketplace and increase their sales and revenue. The current study therefore, seeks to explore the preferences of halal retail supply chain certification among the hypermarket. Using purposively sampling technique, four hypermarkets were interviewed in the selective hypermarket in the Klang Valley, Malaysia. The results revealed that most selective hypermarket were somehow, not ready to embarking on the halal retail supply chain certification. Difficulties in getting information and supports from the hypermarket were among the main drawback of the study. This study is significant for both industry professionals and academician in order to gain information related to the issues of halal retail supply chain certification, thus helping the management in planning their halal retail supply chain certification as well as act as an added value to the hypermarket concern thus able to remain competitive in the market.

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## 1. Introduction

Grocery retail environment in Malaysia is becoming more competitive due to rapidly changing market conditions and consumer requirements. Consumer always looks for well-stocked shelves, food freshness, and better services with promotions. In addition, consumer beliefs and thought about food consumption is also considered vital to the grocery retail operations where majority of its consumers are Muslim. Being a Muslim in a Muslim country, consumer generally assumed that grocery retailers should provide products that are accordance to the syariah compliance. But, this is not always the case. Consumers are now more aware and have a deep concern about how their daily food being prepared. This somehow gives pressure to the existing retail supply chain operation handling of each grocery retailers. Issue with regards to the integrity of the whole retail supply chain process remains unexplored but vital to increase consumer confidence as to improve grocery retailer's services thus attract and retain their customers. At present, many studies concentrated on halal food supply chain management and almost none on retail supply chain management and or certification. Therefore, the objectives of the study were to investigate the current stage of the retail supply chain operations in the selective hypermarket in Klang Valley in Malaysia as well as to evaluate the preferences of grocery retailer being able to obtain halalan toyyiban retail supply chain certification.

## 2. Related Literature Review

In the context of Malaysian Halal food logistics, many studies focused in different issues and have come up with various arguments. The main concerned was the issue related to lack of enforcement by halal certification authority. Shafie & Othman (2006) argued that lack of assistance and collaboration among authorities, conflict among authorities (governance bodies and state Government), slow certification processes and inefficiency of Halal certification process (Noordin *et al.*, 2009); processing and handling (Talib *et al.*, 2008) as well as insecure of halal food quality were some of many obstacles reported. Being a Muslim, customers are more aware and concerned about their food status and handling; logo authenticity (Ballou, 2007); trust and confidence (Abdul *et al.*, 2009); halal warehouses, halal transportation, halal seaport and halal equipment and services.

The term halal is a Quranic term that means permitted, allowed, lawful or legal. Its opposite is haram (forbidden, unlawful or illegal). This covers aspects such as behaviour, speech, dress, conduct, manner, and dietary laws. In non-Arabic speaking countries, the term is most commonly used in the narrower context of just Muslim dietary laws, especially where meat and poultry are concerned. This dichotomy of usage is similar to the Hebrew term "kosher".

Noordin *et al.*, (2009) argued that Halal certification issues in Malaysia can be highlighted into two issues: operational inefficiency and halal governess. The efficiency refers to the status of resources used within working system for required output. The operational inefficiency of halal satisfaction process is linked with two more factors: internal and applicant's issues. He conferred that in the context of the applicant, lack of understanding on the halal procedure, delay in the process and unaware of new communications technologies were observed. On the other hand the internal context, lack of expertise of staff and experience to handle halal certificates, unsystematic filling system, and delay in processing are observed. To be able to obtain halal certification on time, a good understanding, corporation and training will be necessary. In Malaysia, the Department of Islamic Development Malaysia (JAKIM) is the authority who is responsible for the certification of halalan toyyiban. Issue related to halal governess is also importance. Malaysia is under Islamic rule governed by states rules (Sultans), their agreement is important to standardize the halal matters. Consequently, the federal government has no authority to force the states about

Islamic matters. This case leads to complex decisions and difficulty in implementation of halal standards and policies. It is importance for state government to also encouraging companies to adopt halal logistics by encouraging and acquiring of halal certification. Above all, it was reported that the demand for halal products has been increasing tremendously due to the fact that halal products are more hygienic and safe for consumption. As a result, it has been reported that Malaysian government has been invested in establishing authorities such as Halal Industry Development Corporation (HDC), Ministry of International Trade and Industry (MITI) and Malaysia Investment Development Authority (MIDA) as to be indirectly responsible and monitor the development of the operation of halal supply chain in Malaysia.

### 3. Halalan-Toyyiban Retail Supply Chain Operations & MS2400

Halalan-Toyyiban Supply Chain Management is a set of interrelated elements consisting of inputs with syariah compliance, processes which are halal with added-values, outputs or services with halalness compliances, and controls deploying both syariah-technical requirements (Shariff & Ahmad, 2015; Zainuddin & Kamaruddin, 2015). All these four elements need to be integrated with compliances to the syariah principles (Shariff & Ahmad, 2015; Zainuddin & Kamaruddin, 2015). At the same time, halal integrity must be incorporated into the halal supply chain operations with assurance and preventive system from any possible contaminations or any contaminants such as najas, and causing potential precursors (Zulfakar & Talib, 2014). The halal supply chain operations include activities, movements and handling in transportation, transport modes, transport conditions and transport chain by the organization and its appointed agents. Hence, the halalan retail supply chain operations system can be described as follows;

- Halal Inputs

Inputs for halal supply chain operations are categorized as the 8 Ms namely, man (workers, people), machines (equipment, machines and appliances), materials (raw materials, inventories), methods (procedures), management (employers and staff), management information system (operating system and ICT), money (funding and financial support), and management of environment and technology (Shariff & Ahmad, 2015; Shariff et al., 2010). For halal supply chain operations, the inputs must therefore be halal and syariah compliance. The MS2400 standard, Part 1 has explicitly outline mandatory clauses as follows: Clause 3.1 – Requirements related to syariah; Clause 3.2 – Management responsibility; and Clause 3.3 – Halalan Toyyiban system requirements. Clauses 3 specify the mandatory requirements for halal supply chain and halal supply chain organizations to comply with all syariah requirements and/or syariah practices. It also outline the management aspects in planning, leading, organizing towards the setting up of the halal supply chain system. It is the duties of the organization (manufacturers, logistics service providers and suppliers) to first, adhere with the provisions of halal inputs; secondly, formulate documented halal policy statements and halalan-toyyiban (HT) objectives for the business; provide adequate resources such as halal and syariah trainings and competencies to the workers; set up halal committees and halal team leaders, define jobs descriptions that fulfill the syariah requirements, and finally, provide communication processes on the effectiveness of the halalan-toyyiban processes (Department of Standards Malaysia, 2010). To operationalise these requirements, one of the mechanisms is through developing a HalalanToyyiban Assurance Manual that provides full description on the halalan-toyyiban system deployment and its implementation of the system in fulfilling the standard requirements; and companywide trainings to all levels of staff in the organization.

- Halal processes

Apart from the manufacturing, processes must be halal and halal-certified, the supply chain processes too; must be syariah compliances and halal adherence with added values activities for business and economic gains (Zainuddin & Kamaruddin, 2015; Aziz & Chok, 2013). Halal supply chain processes encompass all inbound and outbound transportation services, inclusive of the nature and description of containers and equipment; modes of transportation; placement, stacking and storage conditions; dispatch, receiving, handling and distribution activities with clear process flow diagrams for tracking and traceability on halal movements as specified in the standard MS2400: 2010. Additionally, the formulation of detailed halalan-toyyiban risk management plan is part of the processes that must be carried out to identify all possible risks of contaminations in each of the logistics process in order to substantiate the processes as halal compliances (Department of Standards Malaysia, 2010). The halal processes are also required

to be documented through written standard operating procedures (SOPs), process flows and detailed descriptions of the tasks. These must be supported with objective evidences of records to ensure halal integrity, quality assurance, audits and traceability purposes. The requirements for halal supply chain processes are stated in: Clause 3.3 Halalan-toyyiban system requirements; Clause 4.0 Preliminary steps to enable risk management process; and Clause 6.0 Requirements for premise, infrastructure, facilities and personnel. The halalan-toyyiban processes are to described clearly and to be implemented (manage) physically right from the sources; simultaneously identifying all possible risks and contaminants in the process flows; and managing changes in the operations, packaging and equipment that may affect the integrity of the whole halal processes; and last but not the least identifying and implementing appropriate control measures for each process. One effective way to ensure halal processes implementation is to establish a documented master list of management procedures and operating procedures for all the processes; and to conduct periodic management review or operations review meetings for monitoring purposes.

- **Controls for Halal**

Controls for halal supply chain operations (inclusive manufacturers and suppliers) need to formulated and implemented from both syariah and technical aspects as dictated in the MS2400 Part 1 requirements (Department of Standards Malaysia, 2010). The syariah-based controls are to assure halalness aspects as in the Islamic laws; while the technical controls are to assure the integrity and technicalities (toyyiban) aspects of managing the logistics processes and activities. Likewise, halal and non-halal products must be segregated to prevent contamination (Zainuddin & Kamaruddin, 2015; Riaz & Chaudry, 2004). The control mechanisms as specified in the MS2400 are stated in: Clause 3.1 Requirements related to syariah; Clause 3.3.3. Validation for procedures of the halalan-toyyiban system requirements; Clause 3.3.3. 4 Halalan-toyyiban risk management plan; Clause 3.3.4.7 Documentation system and management of records; Clause 4.0 Preliminary steps in doing risk management process; Clause 5.0 Operations of the halalan-toyyiban risk management plan; Clause 5.3 Control of non-conformity; Clause 5.4 Isolation and notification; Clause 5.6 Traceability; and Clause 5.7 Control of monitoring and measuring equipment Controls for halal are mainly aimed at risks mitigation on all possible contacts with contaminants or najas that may cause the halal products to become non-halal during the delivery, distribution and logistics processes (Bahrudin et al., 2011). The integrity of halal food products must be protected by all means; and necessary controls must be taken by all the parties involved in the supply chain to avoid cross contamination (Zulfakar & Talib, 2014).

- **Halal Outputs**

Supply chain and logistics businesses are mainly dealing with provision of services namely, transportation, receiving, storage, packaging, distribution and delivery services deploying manpower, transport modes and vehicles, and documentations. Since halal supply chain incorporates syariah requirements, the rendering of halal outputs or services must adhere to syariah requirements. Thus, the services must be halal with integrity to ensure wholesomeness with mitigation measures on contaminations with any contaminants or najas. The halal outputs in the supply chain and logistics services are rest assured in halalness and toyyibaness when the halal inputs, halal processes, halal controls are in-placed; with objective documented evidences and demonstrated compliances through syariah-based work practices by the management and the workers in the organization. To remain competitiveness and sustainability in business, halal supply chain certification is a way forward to escalate the image and trustworthiness as halal supply chain organization offering halal syariah-based services (Department of Standards Malaysia, 2010).

#### **4. Methodology**

The methodologies applied in this study are qualitative in nature. Interviews were conducted in order to understand grocery retailers' views on the preferences of halalan-toyyiban supply chain certification. This approach develops an understanding of retailers' subjective experiences by analysing the subjective realities of their experiences as well as be able to obtain a deeper understanding of how grocery retailers understand on the issues being discussed. Using interviews, observations and focus group allows the researcher to probe more deeply to obtain information leading to further questions on the topic. The interviews and focus group has been recorded by a digital voice recorder and transcribed and translated. Observations, in another hand help researchers to fully understand the whole process of the halal supply chain operations in the selected hypermarkets. In this study, purposive sampling was necessary to

establish two categories of research respondents: firstly, the hypermarket's staffs and management; and secondly, the observers which is the authority; Jakim. In the first stage, two main staffs that are responsible on the retail operations of the hypermarkets each from selective hypermarket were identified and interviewed. Structured questionnaires were used in order to obtain the comment structure of each hypermarket's supply chain operations condition. Next, a small focus group consists of four staffs and management were performed in each hypermarket in order to support and confirm the findings from the first stage actions. In the final stage, an interview with the Jakim authority was carried out as to approve and endorse to the findings of the study. Altogether, it took seven months to cover all the data collections activities, which has been started during the second week of January 2015.

## 5. Results

Although the study was conducted about seven month ago, in reality permission and consent from selective hypermarket for data collection per-purpose were somehow hard to obtain resulting in an adequate of information gained for the study. Nevertheless, with help from reliable networking and staffs concern, some information's were managed to acquire. Table 1 displays the findings from the study;

Table 1. Current State- Retail Halal Supply Chain Process

Retail Halal Supply Chain Process	Current State
Retail supply chain process as compared to halalan-toyyiban supply chain management standards (MS2400)	
<ul style="list-style-type: none"> <li>✓ <b>Halal Inputs</b> <ul style="list-style-type: none"> <li>○ Adhere with the provisions of halal inputs;</li> <li>○ Formulate documented halal policy statements and halalan-toyyiban objectives for the business;</li> <li>○ Provide adequate resources such as halal and syariah trainings and competencies to the workers;</li> <li>○ Set up halal committees and halal team leaders;</li> <li>○ Define jobs descriptions that fulfill the syariah requirements;</li> <li>○ Provide communication processes on the effectiveness of the halalan-toyyiban processes.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>/</li> <li>/</li> <li>-</li> <li>-</li> <li>/</li> <li>-</li> </ul>
<ul style="list-style-type: none"> <li>✓ <b>Halal Process</b> <ul style="list-style-type: none"> <li>▪ Manufacturing processes must be halal and halal-certified;</li> <li>▪ The supply chain processes must be syariah compliances and halal;</li> <li>▪ Halal supply chain processes encompass all inbound and outbound transportation services, inclusive of the nature and description of containers and equipment;</li> <li>▪ Modes of transportation; placement, stacking and storage conditions must be Halal;</li> <li>▪ Dispatch, receiving, handling and distribution activities with clear process flow diagrams for tracking and traceability on halal movements as specified in the standard MS2400: 2010 was observed;</li> <li>▪ Formulation of detailed halalan-toyyiban risk management plan to identify all possible risks of contaminations in each of the logistics process in order to substantiate the processes as halal compliances;</li> <li>▪ The halal processes are documented through written standard operating procedures (SOPs), process flows and detailed descriptions of the tasks;</li> <li>▪ Must be supported with objective evidences of records to ensure halal integrity, quality assurance, audits and traceability purposes.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>/</li> <li>/</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> </ul>
<ul style="list-style-type: none"> <li>✓ <b>Controls for Halal (inclusive manufacturers and suppliers)</b> <ul style="list-style-type: none"> <li>➤ Formulated and implemented from both syariah and technical aspects as dictated in the MS2400 Part 1 requirements. The syariah-based controls are to assure halalness aspects as in the Islamic laws;</li> <li>➤ The technical controls are to assure the integrity and technicalities (toyyiban) aspects of managing the logistics processes and activities.</li> <li>➤ Halal and non-halal products must be segregated to prevent contamination</li> <li>➤ Validation for procedures of the halalan-toyyiban system requirements;</li> <li>➤ Documentation system and management of records;</li> <li>➤ Preliminary steps in doing risk management process;</li> <li>➤ Operations of the halalan-toyyiban risk management plan;</li> <li>➤ Control of monitoring and measuring equipment;</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Partial</li> <li>-</li> <li>-</li> <li>-</li> <li>/</li> <li>-</li> <li>/</li> <li>-</li> </ul>

➤ ISO9001 Quality management system;	-
➤ The MS1722 Occupational safety and health management system requirements and hazard identification;	-
➤ Risk analysis and controls techniques (HIRAC).	-
✓ <b>Halal Outputs</b>	
❖ The halal outputs in the supply chain and logistics services are rest assured in halalness and toyyibaness when the halal inputs, halal processes, halal controls are in-placed;	/
❖ Documented evidences and demonstrated compliances through syariah-based work practices by the management and the workers in the organization;	/
❖ Image and trustworthiness as halal supply chain organization offering halal syariah-based services	/

## 6. Discussion and Conclusion

Findings revealed that generally all selective hypermarkets were somehow, not ready to embarking on the halalan toyyiban retail supply chain certification, thus the preferences to MS2400 standard are gloomy. As discussed earlier, in order to be certified, hypermarket needs to be adhered in all aspects of MS2400 standard namely; halal inputs, halal processes, controls for halal as well as halal outputs. Or in other words, should cover all; shariah, management responsibility, halalan toyyiban management system, risk management process, operation of the halalan toyyiban risk management plan, general requirement for premises, infrastructure, facilities and personnel as well as maintenance of the halalan toyyiban assurance pipeline. This has been expected since literatures did mentioned that the commitment of the store to abide to the MS2400 standard is somehow low since the enforcement of the standard was not make compulsory to any store including hypermarket. Difficulties in getting information and supports from the selective hypermarket were among the main drawback of the study. This study is significant for both industry professionals and academicians in order to gain information related to the issues of halalan toyyiban retail supply chain certification, thus helping the management in planning their halalan toyyiban retail supply chain certification as well as act as an added value to the hypermarket concern thus able to remain competitive in the market. It is argue that the present study has somehow act as an avenue for researchers to prolong this study as to explore the issue of Halalan-Toyyiban Supply Chain Management Standards (MS2400) and how it effect on the performance of the Malaysia hypermarket grocery retailers in general.

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